

Message Text

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C O N F I D E N T I A L USNATO 0424

E.O. 11652: GDS

TAGS: NATO/ XG, ETRN, MARR

SUBJ: CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC) MEETING,
23-24 JAN 75

BEGIN SUMMARY:. CEPPC AT 23-24 JAN 75 MEETING APPROVED FLOATING RATES
FOR CONTRIBUTIONS AND UNDERTOOK FURTHER STUDIES ON THEIR APPLICAT-
ION TO MILITARY TARIFFS. THEY ALSO AGREED TO CONTINUE STUDY OF
PROPOSED INCREASES OF THE MILITARY TARIFFS AS WELL AS THEIR
STRUCTURE. END SUMMARY.

ITEMS OF INTEREST, KEYED TO AGENDA, ARE REPORTED BELOW.

I. APPROVED SUMMARY RECORD AC/120-R/210, WHICH DEALS WITH DISCUS-
SIONS OF CEPS COST SHARING AND IS LARGELY OVERTAKEN BY EVENTS.

II. FLOATING RATES IN LIEU OF FIXED PARITY RATES.

A. COMMITTEE APPROVED AC/120-D/871 AND THUS AGREED TO USE OF
FLOATING RATES FOR CALLS FOR CONTRIBUTIONS. COMMITTEE AGREED TO
APPLY FLOATING RATES AS OF JAN 1975 AND WILL EXAMINE POSSIBILITY
OF RETROACTIVITY TO 1 JAN 1974.

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B. FRENCH REP (GENTILHOMME) SYMPATHIZED WITH AIMS EXPRESSED
IN AC/120-D/887 BUT SAID THAT HIS AUTHORITIES WANTED MORE
TIME FOR STUDY. HE AGREED THAT WHATEVER NEW SYSTEM IS USED
TO FIX THE REAL VALUE OF MILITARY TARIFFS, IT SHOULD BE APPLIED

EFFECTIVE 1 JAN 1975. HE HOPED TO BE IN A POSITION TO APPROVE CEOA RECOMMENDATION OR PROPOSE ALTERNATIVE RECOMMENDATION IN FEB MEETING.

III. MILITARY TARIFFS

A. CEPPC GENERALLY AGREED TO INCREASE CEPS UNIT FROM 0.92 FFR TO 1.10 FFR, SUBJECT TO FRG CONFIRMATION AND A BELGIAN CONDITION THAT INCREASE WOULD NOT SIGNIFY THAT RATE OF FFR 1.10 AUTOMATICALLY INCREASE TO 1.18 PER DISCUSSION ITEM II.B. ABOVE. SINCE BELGIAN CONDITION CONTRAVENES INTENTION OF CEOA, COMMITTEE WILL FURTHER DISCUSS THIS PROBLEM IN CONNECTION WITH DECISION ON ITEM II.B. TO BE TAKEN IN FEBRUARY IF POSSIBLE. IN THE MEANTIME, TARIFFS WILL REMAIN AS AT PRESENT BUT CEOA WILL NOTE ON INVOICES THAT THESE CURRENT TARIFFS ARE SUBJECT TO POSSIBLE REVISION RETROACTIVE TO 1 JAN 1975. US WAS THE ONLY NATION TO OPPOSE INCREASE FOR STORAGE FROM 3 UNITS TO 3.5 UNITS. US AD INTERIM REP (LOVELAND) NOTED THAT RECOMMENDED CHANGE IN NUMBER AND COST OF UNITS WOULD INCREASE STORAGE COSTS FROM FFR 2.0 TO FFR 3.85, AMOUNTING TO 92 PERCENT WITHIN A ONE-YEAR PERIOD. HE COULD NOT AGREE TO ANY SUCH INCREASE WITHOUT CONVINCING PROOF THAT STORAGE COSTS WERE NOT COVERED BY CURRENT TARIFFS AND THAT COSTS WERE JUSTIFIED. CHAIRMAN (DUNCAN) APPEALED TO THE US TO JOIN OTHERS IN APPROVAL OF THE INCREASE IN THE STORAGE COSTS. MISSION RECOMMENDS MAINTENANCE OF POSITION STATED ABOVE, PENDING PROOF THAT JUSTIFIABLE CEPS COSTS WARRANT ADDITIONAL INCREASE IN STORAGE TARIFFS.

B. CEOA REPORT ON TARIFF STRUCTURE CONTAINED IN AC/120-D/896 POINTED OUT DIFFERENCE IN TREATMENT OF VARIOUS USERS ACCORDING TO THE LOCATION OF THEIR ENTRANCE POINTS AND STORAGE DEPOT ALONG THE LINE. THESE DIFFERENCES WERE CAUSED BY THE FOLLOWING:

- (1) USE OF ADJUSTED KILOMETER RATHER THAN REAL DISTANCES TO ASSESS TARIFFS. THIS PROVISION FAVORS THOSE COUNTRIES USING THE 12 INCH LINE (AT 70 PERCENT OF NORMAL TARIFFS) AND PENALIZES THOSE ON 6 INCH LINES (160 PERCENT OF NORMAL TARIFFS).
- (2) REDUCTIONS UP TO 30 PERCENT ARE ACCORDED FOR QUANTITY MOVEMENTS. CEOA SUGGESTS MAINTENANCE OF THE 10 AND 20 PERCENT LEVELS BUT CANCELLATION OF THE 30 PERCENT LEVEL. CEOA NOTES THAT CONFIDENTIAL

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THIS REDUCTION GENERALLY ONLY APPLIES TO THE US MOVEMENT AND HAD SAVED US \$23,000 IN 1973.

BELGIAN REP (BIKAR) NOTED THAT ONLY THE US WAS IN A SITUATION TO MAKE LARGE QUANTITY POINT-TO-POINT MOVEMENTS AND THUS THE 30 PERCENT LEVEL APPEARED TO DISCRIMINATE AGAINST ALL BUT THE US.

(3) CEOA REPORTED THAT CEPS TARIFFS WERE MAINTAINED ON MOVEMENTS OF UP TO 400 KILOMETERS BUT WERE REDUCED BY 50 PERCENT BEYOND 400 KILOMETERS. THIS TENDED TO FAVOR COUNTRIES REQUIRING LONG MOVEMENTS.

(4) CEOA REPORTED THAT TARIFFS WERE BASED ON PIPELINE DISTANCES RATHER THAN STRAIGHT LINE DISTANCES BETWEEN INPUT AND OFF-TAKE POINTS. IN THE CASE OF BELGIAN FORCES IN GERMANY, BECAUSE OF THE CONFIGURATION IN THE CEPS IN BELGIUM,

THIS REQUIRED A 200 KILOMETER MOVEMENT BETWEEN TWO POINTS WHICH WERE ONLY 100 KILOMETERS APART. BELGIAN FORCES WERE THEREFORE PENALIZED BECAUSE OF THE CONFIGURATION OF THE SYSTEM. BELGIAN REP HAD RAISED THIS QUESTION OF TARIFF STRUCTURE IN 1974. DURING DISCUSSION, IT BECAME EVIDENT THAT BELGIUM WAS NOT INTERESTED IN A REVISION OF THE PORTIONS OF THE STRUCTURE FROM WHICH IT BENEFITED BUT ONLY THOSE IN WHICH IT FELT PENALIZED. FRENCH REP DID NOT WISH TO REOPEN THE QUESTION. NETHERLANDS (DEN TURK) AND US REPS ASKED FOR FULLER REPORTS AASQIQNOI# FROM CEOA AS WELL AS SUMMARY OF ALL PREVIOUS CEPPC DISCUSSIONS ON TARIFF STRUCTURE. COMMITTEE INSTRUCTED CEOA TO PRODUCE THE REQUIRED REPORTS IN TIME FOR MORE DETAILED DISCUSSION DURING MEETING 7-8 APRIL.

VII. ANY OTHER BUSINESS

A. US REP RAISED QUESTION OF REPORT ON QUOTE ANOMALIES UNQUOTE FOR PERMREPS. CHAIRMAN INDICATED HIS INTENTION TO TABLE PAPER ON SUBJECT AT FEB MEETING AND TO PUSH FOR AGREED REPORT BY MID-YEAR.

B. GENERAL MANAGER (ROBERTUS) REPORTED THAT TARIFF ON LE HAVRE-VALENCIENNES HAD BEEN RAISED FROM 5.10 TO 5.40 FFR. US REP, IN ACCEPTING INCREASE, NOTED HIS DISAPPOINTMENT THAT IT WAS ONLY 6 PERCENT WHILE COSTS HAD RISEN 18 PERCENT BETWEEN 1974 AND 1975. FRENCH REP POINTED OUT THAT CEPS HAD BEEN RECEIVING ONLY FFR 4.5 WITH ADDITIONAL 0.60 GOING INTO AMORIZATION OF FIRM'S INVESTMENT. AS OF 1 JAN 1975, INVESTMENT WAS AMORTIZED AND CEPS RECEIVED THE FULL TARIFF. HE CONSIDERED THUS THAT CEPS RECEPTS WOULD RISE BY
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ABOUT 18 PERCENT. GENERAL MANAGER NOTED THAT COMMERICAL MOEMENTS WITHIN FRANCE HAD BEEN FALLING AND THAT CEPS SHOLD NOT BE TOO GREEDY IN RAISING TARIFFS FOR FEAR OF LOSING BUSINESS. HE WAS PARTICULARLY CONCERNED BY THE DECREASE IN TRAFFIC ON THE LAVERA-STRASBOURG LINE WHICH HAD FALLEN FROM 2.4 TO 2.0 MILLION CUBIC METERS. FRENCH REP SUGGESTED THAT ONE OF THE REAONS FOR THE DECREASE MAY BE THE UNUSUALLY MILD EUROPEAN WEATHER AND THAT CEPPC SHOULD HOPE FOR RENEWED COLD.

C. GENERAL MANAGER NOTED THAT REGULARIZATION OF 1970-1972 TRAPIL OVERHEADS WAS STILL SUBJECT TO US RESERVATION AND WARNED THAT TRAPIL WAS NOW CONSIDERING CHARGING INTERST FOR THE DELAY. US REP STATED THAT US POTIIION WAS CONNECTED WITH GENERAL OVER-PAYMENT OF TRAPIL FEES (AS CONTRASTED TO OVERHEADS) AND THAT HE DID NOT FORESEE US AGREEMENT UNTIL SETTLEMENT OF THE FEE QUESTION. CEPPC AGREED TO BRING AUDIT REPORTS BACK TO THE FEB AGENDA IN ATTEMPT TO RESOLVE THE PROBLEM.

D. NEXT MEETING: 20-21 FEB - BRUSSELS. BRUCE

NOTE BY OC/T: #AS RECEIVED.

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